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SUBJECT: AUSTRIAN REACTIONS TO EU COMMISSION'S CLIMATE PLAN

Summary

1. The EU Commission's Climate Change Package has elicited mostly negative reactions from the Austrian Government and, especially, Austrian industry. The plan foresees a reduction in Austria's CO2 emissions by 16% in 2020 from a 2005 base. There has been particular criticism of the Commission's plan for Austria to increase its share of renewable energy from 23% (one of the highest in the EU) to 35%. Austrian industry has also warned that the "unreasonable" targets could entice companies, particularly in the steel sector, to relocate from Austria to countries with less stringent environmental regulations. Most notably, both Economics Minister Bartenstein and Environment Minister Proell raised the possibility of some kind of tariffs on goods from "countries that are not on board with climate change." The Green Party and environmental groups have criticized the plan as a green light for the GoA to continue to do nothing. End Summary.

2. The EU Commission's Climate Change Package, unveiled on January 23, but previously widely leaked to Austrian media, has sparked mostly negative reactions in Austria. According to the package, Austria must reduce its CO2 emissions by 16% in 2020, using 2005 as a base year. (Note: in 2005, Austria's CO2 emissions were 14% above its 1990 base year targets under the Kyoto Agreement. End Note) A foreseen increase in renewable energy from 23% to 35% has provoked strong criticism in various circles.

Government Mostly Unhappy

3. Chancellor Alfred Gusenbauer and Vice Chancellor Wilhelm Molterer said that Austria remained committed to climate protection, but only "on the basis of fairness." Noting that Austria's share of renewables in its energy mix at 23% now is 10% above the total EU commitment, Gusenbauer argued that the Commission should have rewarded such "advance work." In Gusenbauer's views, all countries should bear a comparable burden. (Note: Austrian press reported that Gusenbauer unsuccessfully lobbied Commission President Barroso at the last-minute to water down Austria's commitments. End Note). Molterer cautioned that committing to excessive goals could jeopardize Austria as a location for affected industries.

4. Minister of Economics and Energy Martin Bartenstein opined that it was unreasonable to ask countries that had already achieved a high share of renewables, like Austria, to contribute as much as "polluters." According to Bartenstein, Austria would not accept a legally binding EU commitment that would trigger enormous financial burdens after a failure to achieve unrealistic goals. Bartenstein suggested the EU should consider a "climate change tariff" for countries that "are not on board on climate change, like the U.S., China and India." According to Bartenstein, steel production in

China, for example, produces double the amount of emissions per unit compared to steel production in the EU.

15. Within the government, only Minister of Agriculture and Environment Josef Proell sounded a positive tone: "we cannot have climate protection for free. The burden sharing commitment among member states is fairer than it was in the past." Proell maintained that the 35% share of renewables was feasible. Proell also raised the idea of imposing punitive tariffs on countries that do not commit to long-term environmental action plans.

Austrian Industry Most Unhappy

16. Austrian industry has unequivocally rejected the Commission's climate change plan. The General Secretary of the Austrian Industrialists' Association, Markus Beyrer, characterized the proposals as "an idiot's tax," which would punish those industries that have already reduced their emissions to a state-of-the-art level. EU industries, particularly in the steel sector, would relocate to countries with less stringent environmental regulations.

On emissions certificate allocation, Beyrer spoke out against the Commission's plan to move towards a system requiring companies in all CO2 emitting industries to fully pay for the certificates. Several other Austrian CEOs in the steel and cement sector warned that the new emissions allowances system "could drive them out of the EU."

Green Party: Not Enough

17. The Austrian Green Party and environmental NGOs voiced opposite

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concerns, namely, that the Commission's plan "rewarded" the GoA for failing to meet its Kyoto goals. The Greens' environmental spokeswoman lamented that the new reduction goal "was a license for the government to do nothing."

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